CITY OF VANCOUVER

2003 ANNUAL FINANCIAL REPORT

104-04914/

CITY OF VANCOUVER

BRITISH COLUMBIA

ANNUAL FINANCIAL REPORT

2003

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Mayor Larry Campbell

Fred Bass

David Cadman

Jim Green

Peter Ladner

Ellen Woodsworth

Tim Louis

Anne Roberts

Tim Stevenson

Raymond Louie

Sam Sullivan

OFFICIALS

Corporate Management Team

City Manager	J. Rogers, M.P.A.
Deputy City Manager	B. MacGregor, P. Eng.
Chief Constable	J. Graham
Director of Legal Services	F. Connell, LL.B
City Librarian	P. Whitney, M.L.S.
General Manager of Community Services	J. Forbes-Roberts
General Manager of Corporate Services	E. Lo, B. Comm, M.B.A., C.M.A.
General Manager of Engineering Services	D. Rudberg, P. Eng.
General Manager of Fire and Rescue Services	R. Holdgate
General Manager of Human Resource Services	M. Zora, B.Comm.
General Manager of Parks and Recreation	S.J. Mundick, B.R.I.S., R.D.M.R.

Financial Services

Director of Finance	E. Lo, B. Comm, M.B.A., C.M.A.
Director of Financial Services	T. Corrigan, C.A., M.P.A.
Director of Financial Planning and Treasury	K.B. Bayne, B.A., M.Sc. (Bus.)
Manager of Accounting Services	E. Lee, B. Comm, C.A.
Director of Budget Services	A. Klein, M.B.A.
City Treasurer and Collector	G. Merchant, M.B.A.

City Clerk — S. Baxter

City Auditors
KPMG LLP, Chartered Accountants

Bankers
Bank of Montreal

Fiscal Agent - Worldwide
RBC Dominion Securities Inc.

Fiscal Agents for Certain Functions
Relating to Eurobond Issues
Royal Bank of Canada, London

Relating to Book Entry Only Issues
Canadian Depository for Securities Ltd.

BOARDS

Vancouver Public Library Board

City Librarian – P. Whitney
J. Andersen - Chair
J. Buckberrough - Vice Chair
S. Daub – Vice Chair
A. Kenyon, School Board Representative
A. Romaniuk, Parks and Recreation Representative
Councillor T. Louis - Council Liaison

M. Bawa
K. Chong
D. Foley
T. Hansen
A. Higgs
L. Kuehn
A. Zaenker

Vancouver Police Board

J. Graham - Chief Constable
Mayor L. Campbell - Chair

K. Bagshaw
L. Kennedy
K. MacDonald
M. McNeil
J. Pau
P. Webster

Vancouver Civic Theatres Board

Director - R. Ackerman
Directors Emeritus - H. Pickett and N. Young
A. Jones - Chair
B. McLean – Vice-Chair
Councillor R. Louie - Council Liaison

M. Andrew
D. Lam
W. Saunders
G. Stamp

Board of Parks and Recreation

General Manager - S. Mundick
A. Romaniuk - Chair
L. Woodcock - Vice Chair

S. Anton
H. Deal
A. De Genova
L. Poaps
E. Riccius

Board of School Trustees for School District No. 39 (Vancouver)

Superintendent of Schools – C. Kelly
Secretary-Treasurer – D. Yuen
A. Montani - Chair
A. Blakey – Vice- Chair

J. Bouey
J. Cheng
N. Herron
A. Kenyon
K. Millsip
A. Reimer
A. Wong

REPORT OF THE DIRECTOR OF FINANCE

City Hall, Vancouver
April 15, 2004

Mayor L. Campbell and
Members of Council

It is my pleasure to submit the Consolidated Financial Statements for the City of Vancouver for the year ended December 31, 2003. These financial statements include the financial position and results of operations of the City including its boards and City-owned/controlled corporations.

2003 Financial Highlights

The City continued to maintain a strong financial position in 2003:

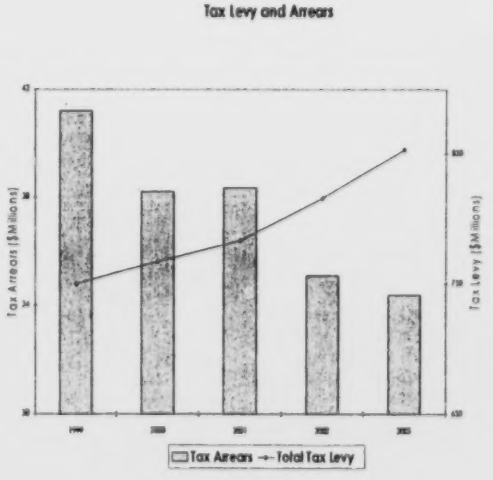
1. The cash position of the City, including temporary investments, remained strong at $473.5 million. The decline of $3.8 million (0.8%), compared to the $477.3 million at the end of 2002, was the result of interim financing of approximately $41.7 million for capital expenditures pending the issue of long term debt in early 2004.
2. Through tight fiscal control, the City was able to manage expenditures within the operating budget envelope ending the year with a surplus of $0.3 million.
3. Expenditures on capital works totalled $147.0 million, compared to $149.7 million in 2002, a 1.8% decrease.
4. Reserves set aside for specific purposes by Council increased during 2003 by $8.6 million to $205.3 million. Although contributions to reserves remained strong at $29.1 million, two major expenditures from reserve funds occurred during the year: $16.9 million from Parking Sites Reserve for the construction of the Gastown Parkade (Water Street and Cordova Street parkades) and $6.0 million from Capital Facilities Reserve for the purchase and carrying costs of the Woodward's building.
5. Funding of $2.8 million was provided for deferred payroll costs related to accumulated vacation and sick leave gratuity payroll obligations. To date, total funding of $6.7 million has been provided in reserves to meet increased employment related payments due to anticipated retirement of long term staff over the next five to ten years.
6. Total debt outstanding at December 31, 2003 was $477.5 million, of which $396.1 million was held externally; the balance of $81.4 million was held by the Sinking Fund. Of this internally held debt, $20.3 million is to be recovered from individual property owners through local improvement charges. All debt of the City is payable in Canadian dollars.

Property Tax Receivable

Property tax collection remained strong. As the chart shows, over the last five years, although tax levies have increased, the total tax arrears have continued to decline from over $41 million in 1999 to $34.4 million in 2003.

The collection of 2003 property taxes, including those amounts raised for other taxing authorities, amounted to $834.2 million, or 97.74% of the total 2003 property taxes levied. During the year, the City collected $21.8 million (62.21%) of the $35.1 million property tax in arrears at the beginning of 2003.

At year end, advance tax payments were $23.3 million compared to $17.4 million at the end of 2002, an increase of 34%.



The growth in tax prepayments is indicative of the increasing participation of property owners in the Tax Installment Prepayment program. The increased participation is mainly attributable to the program revisions to offer interest on prepayments, the automatic withdrawal of final tax balance and the active promotion of the program.

Revenue Fund

The Revenue Fund accounts for the general operations for the City. Spending authority and control for the fund are provided by Council through the annual Operating Budget.

Revenues for the year totalled $778.8 million and expenditures, debt repayments and transfers amounted to $778.5 million, resulting in a revenue fund surplus of $0.3 million. The total fund balance of the Revenue Fund currently stands at $8.0 million.

Total operating revenues increased $35.8 million from 2002 mainly due to:

- An increase in taxation revenue of $23.3 million or 5.4% from $443.0 million to $456.3 million. City Council approved a 4.67% increase in the property tax levy in 2003 generating $21.6 million tax revenues. Taxes from new construction added another $2.9 million to the property tax revenue. Interest and penalty revenue was lower in 2003 by $0.6 million as outstanding taxes were reduced from previous years.
- An increase in water utility user fees of $1.4 million (2.4%) following Council approval of a 2.8% increase to water rates reflecting an increase in regional water costs. Offsetting the rate increase was a reduction in water consumption due to water restrictions imposed in 2003.
- An increase in sewer utility user fees of $2.0 million (6.7%) mainly related to a 9% increase to sewer rates that reflect increased regional cost of sewer services. Offsetting the rate increase was a reduction in metered volume consumption.
- An increase in other fees, rates and cost recoveries of $8.3 million due to a combination of: increased revenues from the on-street parking program due to a rate increase and improved compliance; increased license and permit fees ($0.7 million), service and inspection fees ($1.8 million); recoveries from the Provincial Government for assistance provided to fire fighting activities in the Okanagan ($0.5 million); payment of $2.2 million from the Provincial Government related to the transfer of ownership of the Pacific National Exhibition (PNE).
- An increase in Rent in Lieu of Taxes of $1.0 million as a result of increased assessment values and tax rates associated with PEF leased property and an increase in the number of property rentals.
- A decrease of $1.4 million or 11.2% in short term interest earnings as a result of declining interest rates and a lower overall cash balance in 2003.

Total operating expenditures amounted to $672.7 million, an increase of $28.2 million. This increase was primarily related to the wage and fringe benefit adjustments for employees which added approximately $10.9 million to the 2003 expenditures.

Other major areas of change in expenditures are:

- Police expenditures increased by $12.4 million as a result of: retirement payouts for 85 police officers in 2003 due to unanticipated changes in pension plan benefits ($2.8 million); increases to salaries and wages ($2.2 million) as a result of collective agreement settlements; costs of recruitment of sworn officers ($0.8 million); the addition of 30 sworn officers and 7 civilian positions ($2.7 million); increase in Criminal Investigations ($1.2 million); and increased overtime ($2.7 million of which $1.5 million relates to the establishment of the City-Wide Enforcement Team for the Downtown Eastside).
- A $3.1 million increase to the Greater Vancouver Sewer and Drainage District levy.
- A $0.4 million increase in Parks and Recreation costs related to operating expenditures associated with new facilities.
- A $3.3 million increase in the requisition from E-Comm for the provision of emergency radio and communication services offset by $0.9 million reduction in fire dispatch expenditures due to the transfer of responsibility to E-Comm.
- Activities related to the 2010 Olympic Bid, including a plebiscite to assess the public's opinion on hosting the games increased expenditures in 2003 by $1.0 million.

- Increased Vancouver Agreement and National Criminal Prevention Council (NCPC) activities for the Downtown Eastside of $0.9 million.
- An increase of $0.8 million for time-limited planning projects such as the Downtown Transportation Plan, Drug Policy Program, East Fraser Lands Planning Study, and Vancouver Convention Centre II.
- Expenditure reduction of $1.2 million due to the cost of the civic election held in 2002.
- Debt maturities increased by $8.9 million mainly due to the first principal payments on the $100 million 10 year serial bond issued in 2002.

Capital Fund

The Capital Fund accounts for the City's capital expenditures or programs supporting civic infrastructure as well as the related financing. It also holds all properties required for civic use and the related long term debt. Spending authority and control are provided through the annual Capital Budget and the Three Year Capital Plan approved by Council.

The Capital Fund ended the year with a fund shortfall of $41.7 million compared to a fund surplus of $19.1 million in 2002, a change of $60.8 million. This change reflects a normal timing difference between the capital expenditure and debenture programs and the fact that the City did not issue new debentures in 2003 to finance capital expenditures.

The Property Endowment Fund and the Capital Financing Fund have provided $89.1 million interim financing to the Capital Fund for several capital projects approved by Council outside the three year capital program. The interim financing will be repaid with interest from future operating savings or additional fees and service charges without impacting on existing property taxation levels provided in the Operating Budget. Debenture financing will not be required for these capital expenditures.

When the interim financing from the Property Endowment Fund and the Capital Financing Fund are included, the closing fund balance is at $47.4 million.

In November 2002, the electorate approved new borrowing authority of $116.8 million for general purposes to finance a portion of the 2003 – 2005 Capital Plan. At the year end, approximately $134.8 million of general borrowing authority and $65.0 million of sewer and water borrowing authority from the 2003-2005 and prior Capital Plans had not been exercised by Council through issuance of debentures. Council has also indicated that it will approve an additional $47.8 million in borrowing authority for sewer and water expenditures to complete the 2003-2005 Capital Plan.

During 2003, the City spent $147.0 million on capital works. Capital expenditures range from maintenance and improvements to roads, streets, sewers and water distribution systems to fire protection and parks and recreation facilities. Some of the major spending in 2003 included:

	$ Million
Streets, traffic and safety	29.4
Main sewer construction and sewer abatement	25.2
Water works distribution system	22.7
Construction of Engineering works yard	13.5
Vehicle and equipment purchases	13.1
Stanley Park S-curve	9.1
Parks, community centres, playing fields, ice rinks and land purchases	7.3
Daycare, social housing and community services facilities	7.1
Acquisition and carrying costs of the Woodward's building	6.2
Technology infrastructure	5.6
Construction and capital maintenance of City buildings	3.0
Landfill development	2.2
Theatre and library facilities	1.7
Relocation of training facility	0.9

Sinking Fund

The Sinking Fund is a statutory requirement of the Vancouver Charter and provides for the retirement of the City's sinking fund debentures. The accumulation of annual principal installments collected through tax levies, together with interest earned, provide for retirement of principal at maturity. The Sinking Fund actuarial reserve for debt retirement at December 31, 2003 was $134.0 million. Approximately $21.3 million relates to internally held debt.

Surplus funds over and above those required to meet future debt maturities are transferred to the Revenue Fund. During 2003, the transfer was $2.0 million. The surplus generated in the Sinking Fund has been steadily decreasing as a result of low market interest rates and changes in cash balances available for investment. The amount of the annual principal installments from the operating budget will have to be increased to meet future principal repayments that come due on sinking fund debenture maturities if interest rates persist at their current low levels or fall lower.

At the year end, the Sinking Fund held as investments $81.4 million of City of Vancouver debentures.

Property Endowment Fund

The Property Endowment Fund (PEF) accounts for real estate properties not required for civic purposes including non-market housing sites, other residential and commercial properties and parking garages. The Fund is also a source of internal financing for civic projects. Specific Council approval is required for all property sales and purchases.

In 2003, the PEF spent $26.3 million on capital assets. Of this amount, $22.3 million was spent on parking structures, of which $21.4 million was spent on the Gastown Parkade (Water Street and Cordova Street Parkades). The remaining $4.0 million was spent on land acquisition and development for strategic purposes.

During 2003, $7.0 million of the net revenue from operations was transferred to the Revenue Fund to support general operations. The PEF also financed $2.0 million of administrative expenses in the operating budget. By the end of the year, the PEF had advanced $18.0 million to the Capital Fund as financing for specific capital projects approved by Council outside the 2003-2005 Capital Plan. The interim financing will be repaid with interest from future operating savings, additional fees and service charges and within the existing property taxation level provided in the Operating Budget.

Capital Financing Fund

The Capital Financing Fund (CFF) provides funds for the internal financing of capital works and holds the City's Solid Waste Capital Reserve. The Reserve is accumulating funds to meet closure and post closure costs at the City's landfill site. Spending authority and control are provided by Council through specific approvals.

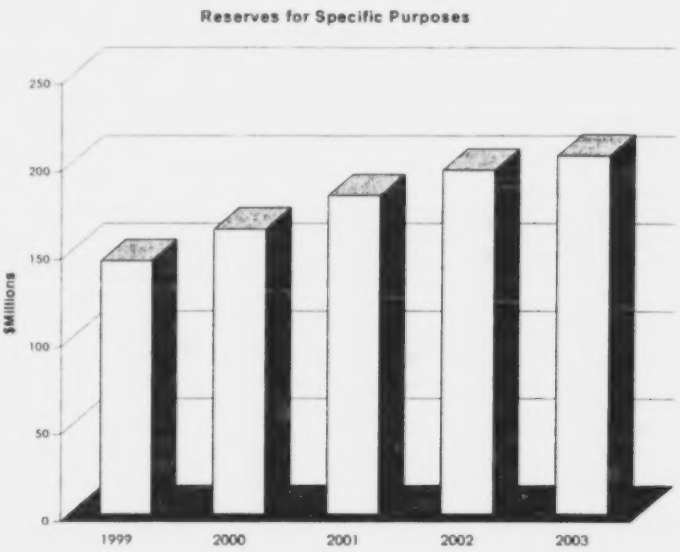
By the end of the year, the CFF had advanced $71.1 million to the Capital Fund to finance specific capital projects. The interim financing will be repaid with interest from future operating savings or additional fees and service charges without impacting on the existing property taxation levels provided in the Operating Budget.

Reserves

Under legislative or Council authority, the City has established a number of specific purpose reserves. At the end of 2003, these reserves totalled $318.0 million comprised of $112.7 million of Sinking Fund actuarial reserve for debt retirement and $205.3 million of reserves set aside for other purposes.

The $205.3 million of reserves represents an increase of $8.6 million over 2002 or a 4.3% increase. The most significant changes were:

- The Solid Waste Capital Reserve increased by $4.7 million to $52.1 million as a result of surpluses from solid waste operations. This reserve is being accumulated to fund closure and post-closure costs at the City's sanitary landfill. Funds from the reserve will also be used to implement an automated garbage collection system over 2005 to 2007.



- The Plant and Equipment Reserve which funds the long term equipment replacement plan increased by $3.5 million to $30.0 million. The reserve is funded by internal equipment rates and fixed provisions in the operating budget. The 2003 transfer to the reserve totalled $14.8 million. Actual expenditures drawn on the reserve were $11.3 million.
- The Community Amenities Reserve increased by $4.6 million due mainly to contributions received from the Coal Harbour area.
- The Sewer and Water Utility Rate Stabilization Reserves increased by $1.2 million to $19.7 million as a result of surpluses from operations.
- The Parking Sites Reserve was drawn down by a net of $12.8 million mainly for the redevelopment of the Gastown Parkade on Cordova and Water Streets ($16.9 million), offset by net parking revenues ($2.9 million) and transfer of interest in property to the Capital Fund ($2.6 million).
- The Capital Facilities Reserve decreased by $6.0 million mainly to fund the acquisition of the Woodward's building.
- Future Revenue Budgets Reserve increased by $5.3 million to provide funding mainly for deferred payroll obligations ($2.8 million) and future debt charges.
- The Pacific National Exhibition (PNE) Reserve, with a year end balance of $2.7 million to support ongoing operations, was created in 2003 with a payment from the Province of $2.2 million and a $0.5 million transfer of provisions made in the City's operating budgets for payments to the PNE for park maintenance.

REPORT OF THE DIRECTOR OF FINANCE

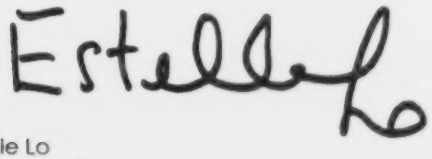
Reporting Changes for 2004

Commencing with the 2004 financial year, Public Sector Accounting Board (PSAB) standards will require the City to recognize a liability in the Statement of Financial Position and report an expense in the Statement of Financial Activities for all benefits earned by employees and expected to be provided to them when they are no longer providing active service to the City, either on a temporary or permanent basis. Although the City currently recognizes a liability and expense for certain material deferred payroll obligations such as deferred vacation and sick leave gratuities payable to employees on retirement, it will now also need to record obligations for other future benefits including long and short term disability income continuation plans, accumulated sick leave, workers compensation top-up provisions, health care continuation provisions, parental leaves and past service pension buy backs. Estimation of the liability and expense will be based on actuarial estimates and the impact on the City's financial position will be reviewed in 2004.

Conclusion

The City of Vancouver has continued to maintain a strong financial position going into 2004. The financial strength of the City reflects the careful attention to prudent financial management provided by Council and staff.

Respectfully submitted,



Estelle Lo
Director of Finance

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited the consolidated statement of financial position of the City of Vancouver (the "City") as at December 31, 2003 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Vancouver Charter, we report that, in our opinion, these principles have been applied to the consolidated financial statements on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Vancouver, Canada
April 2, 2004

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association

CITY OF VANCOUVER
Consolidated Statement of Financial Position
As at December 31
($000s)

	2003	2002
FINANCIAL ASSETS		
Cash (Note 2)	$ 36,819	$ 80,037
Temporary investments (Note 2)	436,666	397,230
Accounts receivable and accrued interest (Note 3)	46,987	41,537
Local improvement receivable	19,735	19,380
Property taxes receivable	30,433	31,092
Lease agreement receivable (Note 10(f))	54,616	55,926
	625,256	625,202
PHYSICAL ASSETS		
Inventory	11,398	10,631
Capital assets (Note 4)	6,767,071	6,419,916
	6,778,469	6,430,547
	$ 7,403,725	$ 7,055,749
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	$ 173,552	$ 162,939
Mortgage and loan agreements (Note 10(f))	66,897	70,435
Long term debt (Note 6)	396,136	419,226
Deferred income	29,978	29,751
	666,563	682,351
MUNICIPAL EQUITY		
Equity in capital assets (Note 5)	6,299,132	5,926,993
Actuarial reserve for debt retirement (Note 6)	112,748	87,116
Reserves (Note 7)	205,281	196,655
Fund balances (Note 8)	169,045	211,301
Obligations to be funded from future revenues (Note 9)	(49,044)	(48,667)
	6,737,162	6,373,398
	$ 7,403,725	$ 7,055,749

Contingencies and commitments (Note 10)
Subsequent Events (Note 13)
See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Financial Activities
Years Ended December 31
($000s)

	2003	2002
REVENUES		
Property taxes, penalties and interest	$ 456,300	$ 433,039
Water fees	58,360	56,983
Solid waste fees	35,592	34,768
Sewer fees	31,756	29,814
Other fees, rates and cost recoveries	223,172	202,939
Revenue sharing, grants and contributions	7,227	7,078
Investment income	21,098	20,389
Rental and lease income	36,346	36,469
Sale of property	9,479	15,344
	879,330	836,823
EXPENDITURES		
General government	129,489	113,590
Police protection	151,704	139,034
Fire protection	75,129	74,982
Engineering	123,192	116,441
Water utility	62,723	65,096
Solid waste	29,917	28,631
Sewer utility	71,170	68,010
Planning and development	60,980	58,467
Recreation and parks	88,299	92,111
Community and cultural services	68,473	65,188
	861,076	821,550
NET REVENUES	18,254	15,273
DEBT, TRANSFERS AND OTHER		
Debt		
Principal repayments	(26,629)	(16,229)
New issues	-	100,000
Net transfers to reserves	(34,258)	(39,029)
Change in obligations to be funded from future revenues	377	(552)
	(60,510)	44,190
CHANGE IN FUND BALANCES	(42,256)	59,463
FUND BALANCES (Note 8)		
Beginning of year	211,301	151,838
End of year	$ 169,045	$ 211,301

See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Cash Flows
Years Ended December 31
($000s)

	2003	2002
CASH PROVIDED BY (USED IN):		
Operations		
Net revenues	$ 18,254	$ 15,273
Change in non-cash items	4,593	47,134
	22,847	62,407
Financing		
Debt issued	-	100,000
Debt repayments	(26,629)	(16,229)
	(26,629)	83,771
Investing		
Net purchase of temporary investments	(39,436)	(207,606)
NET DECREASE IN CASH	(43,218)	(61,428)
CASH		
Beginning of year	80,037	141,465
End of year	$ 36,819	$ 80,037

See accompanying Notes to Consolidated Financial Statements.

The City of Vancouver was incorporated in 1886 and is governed by the Vancouver Charter, a private bill consented to by the Legislative Assembly of the Province of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements of the City have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances of all funds of the reporting entity. The reporting entity is comprised of all the organizations that are accountable for the administration of their financial affairs and resources to Council and that are owned or controlled by the City. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

Outside Boards	Owned/Controlled Corporations
Parks & Recreation	Harbour Park Development Ltd.
Vancouver Public Library	City of Vancouver Public Housing Corporation
Vancouver Police	Vancouver Civic Development Corporation
Vancouver Civic Theatres	Hastings Institute Inc.
	Parking Corporation of Vancouver

Also included in these statements are certain assets owned by the City that are managed by the following organizations:

Vancouver Art Gallery Society	H.R. MacMillan Space Centre
Vancouver Museum	Vancouver Maritime Museum

(c) Fund Accounting

The resources and operations of the City are comprised of the funds listed below. Supporting schedules to the consolidated financial statements are included to show the financial activities and balance of each fund.

Capital
: Accounts for financing and capital expenditures and holds all properties required for civic use and the related long term debt.

Revenue
: Accounts for revenues and expenditures for the general operations of the City including sewer, solid waste and water utilities.

Property Endowment
: Accounts for properties not required for civic use which are leased to third parties, or held for, or are being developed for resale or lease.

Sinking
: Accounts for the accumulation of installments generated from tax levies in accordance with the actuarial requirements for the retirement of sinking fund debt at maturity.

Capital Financing
: Accounts for funds designated for the financing of capital works, for the acquisition of the City's debentures and for funds set aside for the City's solid waste disposal program.

(d) Basis of Accounting

(i) Revenues are recorded in the period in which the transactions or events that gave rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds.

1. **SIGNIFICANT ACCOUNTING POLICIES - continued**

(d) Basis of Accounting

(ii) Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

(iii) Inventory of supplies and materials are valued at cost with allowances made for obsolete stock. Cost is determined on a moving average basis.

(iv) The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results will depend on future economic events and could differ from the estimates. Adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

(e) Capital Assets

(i) Capital Fund (for civic use)

Capital assets purchased or constructed and work-in-progress are reported as capital expenditures in the period they are acquired. Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital costs.

Capital assets are recorded in the Capital Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. Crown land properties beneficially owned by the City are recorded at assessed value.

Waterworks and engineering assets – At cost less accumulated depreciation. Depreciation is provided at varying rates determined by the City Engineer and is reflected as a reduction in the City's equity in capital assets.

Buildings - at cost.

Plant and equipment - at cost.

Artworks and artifacts - at estimated and/or insured values.

(ii) Property Endowment Fund (for sale or lease)

Capital assets are recorded in the Property Endowment Fund on the following basis:

Land - At 'actual' value for assessment purposes as determined annually by the B.C. Assessment Authority. The development costs incurred are charged against equity to reflect their contribution to the increases in the 'actual' value of land.

Buildings - At cost less accumulated depreciation of $34.5 million (2002 - $32.7 million). Depreciation is charged against Equity in Capital Assets on a 5% straight-line basis on the buildings on parking sites, and on a 5% declining balance basis on leased buildings.

Equipment - At cost less accumulated depreciation of $1.9 million (2002 - $1.5 million). Depreciation is calculated on a 30% declining balance basis and is charged to Equity in Capital Assets.

Property subject to sale option - At option price. The land parcel is subject to purchase by the lessee at a minimum value of $8.4 million (with an expiry date of January 31, 2005).

(f) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Obligations to be Funded from Future Revenues

A provision has been made for liabilities such as deferred payroll costs, landfill closure and post-closure, debenture and mortgage interest. The City provides funding in current operating budgets to meet these obligations as they come due. Details are disclosed in Note 9.

(h) Comparative Figures

Certain of the 2002 figures have been reclassified to conform to current year presentation.

2. CASH AND TEMPORARY INVESTMENTS

Cash includes short-term investments with maturity dates within 90 days of acquisition. Temporary investments are comprised of money market instruments, term deposits, bankers acceptances and federal and provincial bonds with maturity dates greater than 90 days after acquisition. Investments are recorded at cost, adjusted for amortization of premiums or discounts.

	2003	2002
Cash	$ 15,217	$ 21,812
Short-term investments (Maturity date within 90 days)	21,602	58,225
	36,819	80,037
Temporary investments (Maturity date greater than 90 days)	436,666	397,230
Total cash and investments	$ 473,485	$ 477,267
Market Value of total cash and investments	$ 479,129	$ 485,230

3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

	2003	2002
Accounts Receivable and Accrued Interest		
Accrued interest	$ 5,994	$ 6,721
Utility receivables	12,892	13,134
Employee advances	3,256	3,512
Rental and lease receivables	1,704	1,380
Trade and other receivables	25,160	18,607
	49,006	43,354
Valuation allowance	(2,019)	(1,817)
	$ 46,987	$ 41,537
Accounts Payable and Accrued Liabilities		
Payroll liabilities	$ 33,595	$ 28,066
Advance deposits and receipts	42,682	37,422
Future obligations (Note 9)	49,044	48,667
Trade and other liabilities	48,231	48,784
	$ 173,552	$ 162,939

4. CAPITAL ASSETS

	Capital Fund	Property Endowment Fund	2003 Total	2002 Total
Land				
- in civic use	$ 3,660,697	$ -	$ 3,660,697	$ 3,485,678
- leased	-	693,984	693,984	660,237
- for sale, lease or development	-	406,386	406,386	378,246
Buildings	395,422	60,598	456,020	427,334
Property subject to sale option	-	8,365	8,365	8,365
Leasehold interests	25,244	3,690	28,934	29,000
Engineering assets	832,517	-	832,517	780,826
Waterworks	295,748	-	295,748	284,949
Plant, equipment, artworks and artifacts	371,591	1,046	372,637	354,386
	$ 5,581,219	$ 1,174,069	6,755,288	6,409,021
City of Vancouver Public Housing Corporation (at cost less depreciation)			11,783	10,895
Total			$ 6,767,071	$ 6,419,916

5. EQUITY IN CAPITAL ASSETS

	2003	2002
Capital expenditures	$ 175,084	$ 167,526
Debt issued	-	(100,000)
Debt principal repayments	26,629	16,229
Disposals	(12,644)	(14,114)
Depreciation	(42,765)	(40,953)
Increase in assessed values	228,193	193,184
Capital grants	(38)	(95)
Lease receivable payments	(2,320)	(1,191)
Change in equity in capital assets	372,139	220,586
Balance, beginning of year	5,926,993	5,706,407
Balance, end of year	$ 6,299,132	$ 5,926,993

6. LONG TERM DEBT

Debenture debt is shown at its face amount. The City does not carry debt issued by other organizations.

Maturing In	General *	Local Improvments	Total
2004	$ 23,804	$ 2,581	$ 26,385
2005	17,646	2,504	20,150
2006	118,545	2,345	120,890
2007	19,570	2,110	21,680
2008	10,060	1,906	11,966
Thereafter	267,550	8,888	276,438
Total	457,175	20,334	477,509
Internally held	(61,039)	(20,334)	(81,373)
Net external debt	$ 396,136	$ -	$ 396,136

* General including Waterworks

The rates of interest payable on the principal amount of the debentures range from 4.38% to 10.5% per annum. The average rate on interest on total debt to maturity is 5.978%. Total interest paid in 2003 on externally held debt amounted to $25.6 million (2002 - $23.8 million). All debentures are payable in Canadian funds.

Actuarial reserve for debt retirement at December 31, 2003 amounted to $112.7 million (2002 - $87.1 million).

7. RESERVES

These amounts are set aside by Council resolution for specific purposes:

	2002	Change During Year	2003
Plant and Equipment	$ 26,504	$3,524	$ 30,028
Utility Rate Stabilization	18,512	1,170	19,682
Self-insurance	17,766	(488)	17,278
Community Amenities	14,756	4,652	19,408
Capital Facilities	15,628	(5,960)	9,668
Childcare Endowment	4,079	(3)	4,076
Park Board	2,574	(696)	1,878
Library	2,218	(88)	2,130
Emerging Neighbourhood	3,593	417	4,010
Civic Theatres	2,270	-	2,270
Parking Sites	15,249	(12,782)	2,467
Solid Waste Capital	47,386	4,745	52,131
Mortgage Debenture Retirement	1,880	68	1,948
Art Gallery Operations	3,574	-	3,574
Outstanding Commitments	5,967	(485)	5,482
Future Revenue Fund Budgets	7,311	5,250	12,561
Affordable Housing	-	3,572	3,572
Pacific National Exhibition	-	2,694	2,694
Hastings Park	1,083	750	1,833
Other	6,305	2,286	8,591
	$ 196,655	$ 8,626	$ 205,281

8. FUND BALANCES

	2002	Change During Year	2003
Revenue Fund	$ 7,693	$ 351	$ 8,044
Capital Fund	19,135	(60,867)	(41,732)
Capital Financing Fund	157,917	6,603	164,520
Sinking Fund	1,956	(1,405)	551
Property Endowment Fund	92,417	(865)	91,552
Harbour Park Development Ltd.	21	(1)	20
Vancouver Civic Development Corp.	8,443	262	8,705
Hastings Institute Inc.	102	41	143
City of Vancouver Public Housing Corporation	(625)	390	(235)
	287,059	(55,491)	231,568
Adjustment for internally-held debt on consolidation	(75,758)	13,235	(62,523)
	$ 211,301	$ (42,256)	$ 169,045

9. OBLIGATIONS TO BE FUNDED FROM FUTURE REVENUES

	2003	2002
Deferred payroll costs	$ 25,339	$ 25,944
Accrued interest on long term debt	11,678	11,870
Landfill closure and post-closure	12,027	10,853
	$ 49,044	$ 48,667

(a) Landfill Closure and Post-Closure Costs

The City has agreed with the Ministry of Environment Lands and Parks to assume certain obligations in order to obtain the Operating Certificate for its landfill site. Those obligations include closure and post-closure liability. The present value of the City's estimated future liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability of $12.0 million (2002 - $10.9 million) represents the portion of the estimated total expenditure recognized as at December 31, 2003. This liability and annual expenditure is calculated based on the ratio of current usage to total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 17.8 million tonnes, which is 58% of the site's total capacity. The discounted future cash flows for closure and post-closure cost is estimated at $32.7 million as at December 31, 2003. The landfill site is expected to reach its capacity in 2042.

In accordance with an agreement between the City and the Greater Vancouver Sewerage and Drainage District, the City is responsible for 87% of the overall liability for closure and post-closure costs. The City has provided a reserve to fund future landfill capital expenditure and waste diversion programs with a balance as at December 31, 2003 of $52.1 million (2002 - $47.4 million).

(b) Deferred Payroll Costs

Employees of the City are entitled to accumulate earned benefits related to sick leave and may defer vacation entitlements. Sick leave, gratuity and deferred vacation are valued at management's best estimate, which is based on past experience and assumptions about retirements, wage and salary increases, employee turnover and rates of return.

10. CONTINGENCIES AND COMMITMENTS

(a) Contingent Liability for Debentures Issued by Others

The City is contingently liable in respect of debentures of the Greater Vancouver Water District, the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Regional District.

(b) Collection of Taxes on Behalf of Other Taxing Authorities

The City is obligated to collect and transmit the tax levies of the following bodies. Such levies are not included in the revenues of the City.

Provincial Government – Schools
Greater Vancouver Regional District
Greater Vancouver Transportation Authority
British Columbia Assessment Authority
Municipal Finance Authority

(c) Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the Plan. The Plan is a multi-employer contributory defined benefit pension plan with about 123,000 active contributors, including approximately 28,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2000 indicates a surplus of $436 million. The next valuation will be as at December 31, 2003 with results available in 2004. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. The City paid $31.7 million during 2003 (2002 - $30.5 million) for employer contributions to the Plan. The employees' contributions during 2003 amounted to $23.1 million (2002 - $22.4 million).

(d) Contingent Legal Liabilities

As at December 31, 2003, there were various legal claims pending against the City arising in the ordinary course of its operations. The City has made provision for certain uninsured claims in its self-insurance liability reserve, but has made no specific provision for those where the outcome is presently indeterminable.

(e) Property Assessment Appeals

As at December 31, 2003, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes an annual provision against property taxes receivable for the impact of appeals including specific provision where the results of an appeal are reasonably determinable, and general provision for those where the outcome is presently indeterminable.

(f) Mortgage and Lease Agreements

Principal payments on mortgages over the next five years and thereafter are as follows:

2004	$ 1,707
2005	1,864
2006	3,016
2007	2,176
2008	8,492
Thereafter	49,642
	$ 66,897

Outstanding mortgages include $55.6 million on the Library Square Project due on January 14, 2021. Interest at 9.875% per annum is compounded semi-annually with monthly repayments of principal and interest. The debentures are secured by a first charge on the land and any proceeds from the sale of the land on which the office building is situated, the office building and any improvements to it including machinery, plant and equipment, and any proceeds of the lease of the office building.

10. CONTINGENCIES AND COMMITMENTS – continued

(f) Mortgage and Lease Agreements - continued

The City has executed a 25-year lease of the Library Square office building with the Federal Government which commenced April 30, 1995. Annual lease payments of $6.7 million will fully offset debenture principal and interest payments. The lease provides options to purchase the office building at the end of the 10th and 20th years and at the end of the lease term. The balance of the lease receivable is $54.6 million (2002 - $55.9 million).

The City has $11.2 million (2002 - $11.4 million) in mortgages payable to Canada Mortgage and Housing Corporation for 5 non-market housing projects. Interest rates range from 4.24 % to 8.0% with maturity dates from February 1, 2006 to December 1, 2027.

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. The following trust funds and assets are excluded from the City's financial statements:

	2003	2002
Vancouver Agreement	$10,244	$ -
Cemetery Perpetual Care	2,977	2,826
Atrium	294	283
General	315	319
	$ 13,830	$ 3,428

The Vancouver Agreement is an urban development agreement between the Governments of Canada, British Columbia and the City to facilitate sustainable economic, social and community development in the City. In 2003, the Province of British Columbia contributed $10 million for the implementation of a number of social strategies under the direction of the Vancouver Agreement Policy Committee.

12. EXPENDITURES BY OBJECT

	2003	2002
Wages, salaries and benefits	$520,775	$497,752
Contract services	99,212	64,301
Supplies, material and equipment	215,537	235,656
Debt charges	25,552	23,841
	$ 861,076	$ 821,550

13. SUBSEQUENT EVENTS

(a) On March 11, 2004, Council approved a bylaw for the issuance of $100 million 10 year non-callable serial debentures in the Canadian market to finance the capital expenditure program. The authority for these debentures is derived from the Vancouver Charter sections 236 and 242 (water and sewer capital works for $62.4 million) and section 245 (general purposes for $37.6 million). The debentures carry coupon rates ranging from 2.25% for the 1 year maturities in 2005 to 4.65% for the 10 year maturities in 2014, with an overall effective rate of 4.08%. Interest is payable semi-annually.

(b) On November 3, 2003 the Province of British Columbia passed the Pacific National Exhibition Enabling and Validating Act (Bill 83) which transfers the ownership and management of the Pacific National Exhibition (PNE) to the City effective January 1, 2004. The financial arrangements included a payment of $2.2 million from the Province to finance future costs. These funds have been transferred to a reserve (see Note 7). The City has guaranteed a $12 million line of credit effective January 1, 2004 for 1 year.

(c) On March 9, 2004, Council approved a 4 year agreement for the City to act as a backup to a property acquisition. The agreement commits the City to purchase the property from the original purchaser at the original purchase price of $24.5 million plus up to $5 million for site development and remediation costs, if for any reason the original purchaser is unable to proceed with their proposed development.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have audited and reported separately herein on the consolidated financial statements of the City of Vancouver as at and for the year ended December 31, 2003.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the City taken as a whole. The current year's supplementary information included in the following Schedules of Financial Activities of the Revenue Fund, Capital Fund, Capital Financing Fund, Sinking Fund, Property Endowment Fund and Utilities is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Vancouver, Canada
April 2, 2004

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

CITY OF VANCOUVER
Revenue Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2003 Budget	2003	2002
REVENUES			
Property taxes, penalties and interest	$ 456,828	$ 456,300	$ 433,039
Water fees	57,263	58,360	56,983
Solid waste fees	32,080	35,592	34,768
Sewer fees	31,171	31,756	29,814
Other fees, rates and cost recoveries	138,623	155,277	147,014
Revenue sharing, grants and contributions	6,138	6,411	5,849
Investment income	12,600	11,348	12,778
Rental and lease income	22,824	23,768	22,780
	757,527	778,812	743,025
EXPENDITURES			
General government	78,351	72,295	67,768
Police protection	146,931	149,836	137,447
Fire protection	75,186	73,967	72,194
Engineering	60,109	61,779	60,927
Water utility	41,243	41,385	42,194
Solid waste	28,148	29,918	28,631
Sewer utility	48,345	47,280	45,729
Planning and development	62,101	60,978	58,467
Recreation and parks	78,371	79,220	76,014
Community and cultural services	55,751	56,044	55,146
	674,536	672,702	644,517
NET REVENUES	82,991	106,110	98,508
DEBT, TRANSFERS AND OTHER			
Debt principal repayments	(26,933)	(26,933)	(18,414)
Transfers			
Net transfers to other funds	(45,957)	(63,422)	(77,435)
Net transfers (to) from reserves	(10,101)	(12,593)	989
Change in obligations to be funded from future revenues	-	(2,811)	(3,469)
	(82,991)	(105,759)	(98,329)
CHANGE IN FUND BALANCE	-	351	179
FUND BALANCE			
Beginning of year	7,693	7,693	7,514
End of year	$ 7,693	$ 8,044	$ 7,693

CITY OF VANCOUVER
Capital Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2003	2002
REVENUES		
Fees, charges and recoveries	$ 48,444	$ 38,568
Grants and contributions	816	1,232
Property sale	2,633	10,974
	51,893	50,774
EXPENDITURES		
Capital expenditures		
General government	14,200	11,751
Police protection	1,868	1,587
Fire protection	1,162	2,788
Engineering	63,953	58,554
Sewer utility	25,195	24,935
Water utility	22,673	25,419
Recreation and parks	9,404	16,650
Community and cultural services	8,587	8,001
	147,042	149,685
NET EXPENDITURES	(95,149)	(98,911)
DEBT AND TRANSFERS		
Debt issued	2,146	102,475
Transfers		
Net transfers to reserves	(1,500)	(13,473)
Net transfers from other funds	33,636	41,390
	34,282	130,392
CHANGE IN FUND BALANCE	(60,867)	31,481
FUND BALANCE		
Beginning of year	19,135	(12,346)
End of year	$ (41,732)	$ 19,135

CITY OF VANCOUVER
Capital Financing Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2003	2002
REVENUES		
Investment income	$ 4,884	$ 4,752
TRANSFERS		
Net transfer from other funds	6,594	6,594
Net transfer to reserves	(4,875)	(4,359)
	1,719	2,235
CHANGE IN FUND BALANCE	6,603	6,987
FUND BALANCE		
Beginning of year	157,917	150,930
End of year	$ 164,520	$ 157,917

CITY OF VANCOUVER
Sinking Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2003	2002
REVENUES AND EXPENDITURES		
Investment income	$ 6,841	$ 8,931
Administration expenses	75	76
	6,766	8,855
DEBT AND TRANSFERS		
Debt repayments	(45,032)	(50,030)
Transfers		
Net transfer from Revenue Fund	27,069	28,905
Net transfer from reserves	9,792	10,588
	(8,171)	(10,537)
CHANGE IN FUND BALANCE	(1,405)	(1,682)
FUND BALANCE		
Beginning of year	1,956	3,638
End of year	$ 551	$ 1,956

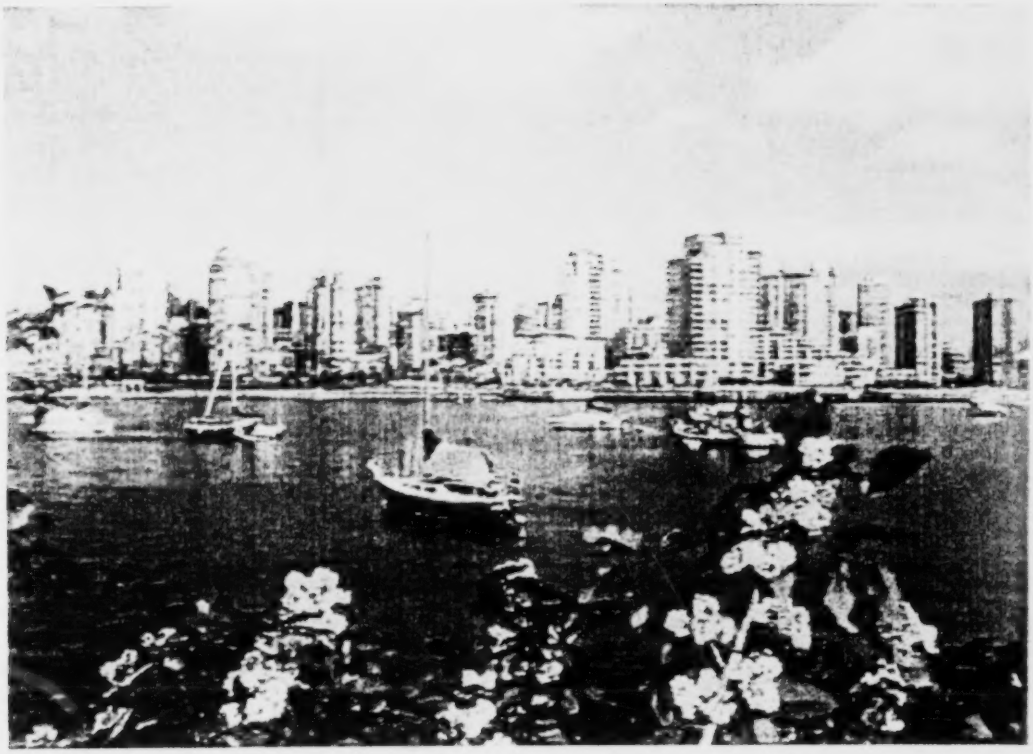
CITY OF VANCOUVER
Property Endowment Fund
Schedule of Financial Activities
Years Ended December 31
($000s)

	2003			2002
	Revenue	Expenses	Net	Net
OPERATIONS				
Rental and leases	$ 11,518	$ 2,989	$ 8,529	$ 9,221
Parking	14,536	10,980	3,556	4,220
Water moorage	820	439	381	337
Property sales	6,846	527	6,319	3,852
	$ 33,720	$ 14,935	18,785	17,630
Interest income			3,364	3,282
Miscellaneous income			545	370
			22,694	21,282
Expenses				
Administration			1,558	1,602
Capital expenditures			26,314	17,391
Other operating			151	389
			28,023	19,382
NET REVENUES (EXPENDITURES)			(5,329)	1,900
TRANSFERS				
Debt prinicipal repayments			(2,002)	(117)
Net transfer from reserves			10,343	2,248
Transfer to Revenue Fund			(7,000)	(7,000)
Net transfer from other funds			3,123	7,548
			4,464	2,679
CHANGE IN FUND BALANCE			(865)	4,579
FUND BALANCE				
Beginning of year			92,417	87,838
End of year			$ 91,552	$ 92,417

CITY OF VANCOUVER
Utilities
Schedule of Financial Activities *
Years Ended December 31
($000s)

	2003	2002
SOLID WASTE UTILITY		
REVENUES		
Fees and service charges	$ 35,592	$ 34,768
EXPENDITURES AND TRANSFERS		
Garbage collection and disposal	8,073	8,190
Recycling	4,886	4,902
Composting	3,333	4,079
Commercial	12,233	10,487
Management and solid waste levy	1,393	973
	29,918	28,631
Transfers from other funds	(929)	(577)
Transfer to reserves	6,603	6,714
	$ 35,592	$ 34,768
WATER UTILITY		
REVENUES		
Fees and service charges	$ 58,360	$ 56,983
EXPENDITURES AND TRANSFERS		
Purchase of water	26,149	25,664
Water debt charges	9,451	9,763
Operations	5,784	6,767
	41,384	42,194
Debt principal repayments	6,416	3,911
Transfer to Sinking Fund	8,328	9,184
Transfer to reserves	2,232	1,694
	$ 58,360	$ 56,983
SEWER UTILITY		
REVENUES		
Fees and service charges	$ 31,171	$ 29,814
Contribution from property taxes	31,794	29,899
	$ 62,965	$ 59,713
EXPENDITURES AND TRANSFERS		
Contribution to Joint Sewerage Board	36,090	33,016
Sewer debt charges	7,745	8,621
Operations	3,445	4,092
	47,280	45,729
Debt principal repayments	5,993	3,495
Transfer to Sinking Fund	6,416	7,627
Transfer to reserves	3,276	2,862
	$ 62,965	$ 59,713

* These amounts have been reported as part of the Revenue Fund Schedule of Financial Activities.



SUPPLEMENTARY FINANCIAL INFORMATION

2003

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CITY OF VANCOUVER

We have reported to the Mayor and Members of Council on our examination for the purpose of expressing an opinion on the consolidated financial statements of the City of Vancouver for the year ended December 31, 2003.

We do not express an opinion on the following management prepared schedules since our examination did not extend to the detailed information therein.

KPMG LLP

Chartered Accountants

Vancouver, Canada

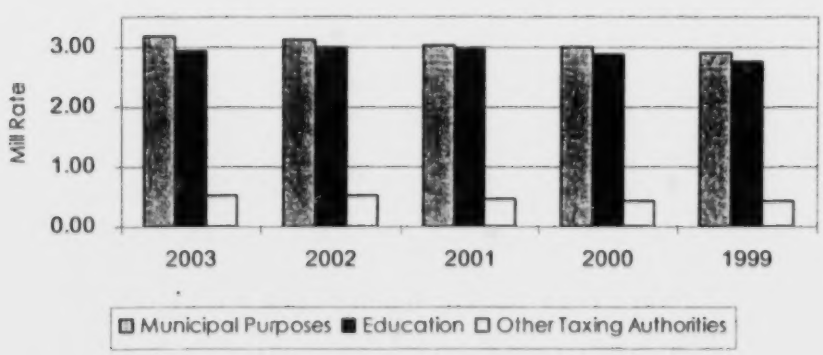
April 2, 2004

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association

FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2003	2002	2001	2000	1999
Property Assessment ($000s)					
Rateable property general purposes	72,843,427	67,522,799	65,917,550	64,557,937	64,933,120
Tax Rates – Rate per $1,000 of Assessment					
Residential					
Municipal purposes	3.17221	3.11743	3.01093	2.99466	2.88336
Education	2.91461	2.98026	2.94593	2.85424	2.75010
Other taxing authorities	0.52729	0.52335	0.44698	0.43302	0.42980
Total Residential	6.61411	6.62104	6.40384	6.28192	6.06326
Business/Other					
Municipal purposes	16.36674	15.48259	14.82695	14.87354	14.89519
Education	10.06992	9.92035	9.87587	9.85529	9.88871
Other taxing authorities	2.28677	2.28468	2.09721	2.09208	2.10777
Total Business/Other	28.72343	27.68762	26.80003	26.82091	26.89167
Major Industrial					
Municipal purposes	27.71701	28.13435	29.72034	30.54048	30.72090
Education	12.50000	12.50000	12.50000	12.50000	12.50000
Other taxing authorities	3.27333	3.35615	3.13486	3.16417	3.14470
Total Major Industrial	43.49034	43.99050	45.35520	46.20465	46.36560
Light Industrial					
Municipal purposes	16.09242	15.45070	14.86333	14.94131	28.80943
Education	9.90000	9.90000	9.90000	9.90000	9.90000
Other taxing authorities	3.00313	3.03205	2.78146	2.78917	2.80550
Total Light Industrial	28.99555	28.38275	27.54479	27.63048	41.51493
Total Utilities	50.80137	49.64316	48.06845	48.02345	48.92101
Total Recreational/Non-Profit	8.05780	8.13357	7.97683	8.07069	7.99325
Total Farm – All Purposes	10.35798	10.43470	10.30773	10.39959	10.32445

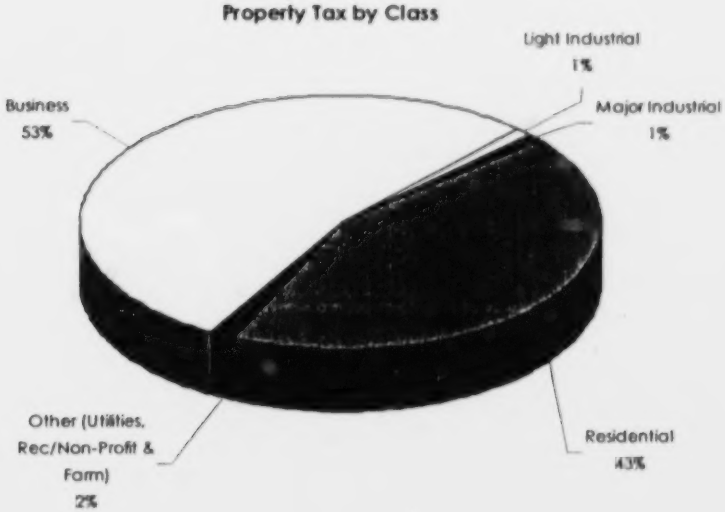
Residential Tax Rate



FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2003	2002	2001	2000	1999
Population *	568,400	568,800	569,400	563,100	556,900
Property Tax Revenue by Property Class (%)					
Residential - Class 1	42.9	42.2	41.8	42.7	42.3
Business - Class 6	53.3	53.8	54.2	53.4	53.9
Major industrial - Class 4	1.2	1.3	1.3	1.3	1.3
Light industrial - Class 5	1.1	1.1	1.0	0.9	0.9
Other (Utilities, Rec/Non-Profit and Farm)	1.5	1.6	1.7	1.7	1.6
Total	100.0	100.0	100.0	100.0	100.0

Property Tax by Class



Property Taxation - Levy and Collections					
Total tax levy (all purposes) (000s)	$853,460	$815,877	$783,315	$767,289	$750,066
Total tax arrears outstanding (000s)	$34,386	$35,090	$38,333	$38,206	$41,217
% of current collections to current levy	97.74%	97.82%	97.50%	97.29%	97.26%
% of total collections to current levy	100.32%	100.82%	100.56%	100.69%	99.48%

*Source: Population Section, B.C. Stats
Ministry of Management Services, Government of British Columbia

NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES ($000s)
Years Ended December 31

The City is required to collect taxes on behalf of and transfer these amounts to the government agencies listed below:

	2003	2002
Taxes collected:		
Property and business taxes	$ 797,328	$ 764,529
Payment in lieu of taxes	29,180	28,750
Hotel tax	7,601	8,468
Local improvement levies	4,173	4,262
	838,282	806,009
Less taxes collected on behalf of:		
Province of British Columbia - School Taxes	317,847	310,586
Greater Vancouver Transportation Authority	42,313	40,555
B.C. Assessment Authority	11,747	11,929
Greater Vancouver Regional District	10,056	9,881
Municipal Finance Authority	19	19
	381,982	372,970
NET TAXES - MUNICIPAL PURPOSES	$ 456,300	$ 433,039

STATEMENT OF TAX RECEIPTS AND PROPERTY TAXES RECEIVABLE ($000s)
Years Ended December 31

	2003	2002
Analysis of Tax Receipts and Receivables		
Balance, before allowance for tax write-offs, beginning of year	$ 35,090	$ 38,334
Add: Interest and adjustments (net)	1,041	1,194
	36,131	39,528
Less: Receipts	(21,830)	(24,433)
Outstanding - prior years	14,301	15,095
Current tax levy including utility and other charges	851,370	816,048
Less : Receipts	(832,122)	(796,936)
Current arrears	19,248	19,112
Add: Penalties on current arrears	837	883
Outstanding - current year	20,085	19,995
Balance, before allowance for tax write-offs, end of year	$ 34,386	$ 35,090
Analysis of Property Taxes Receivable by Year		
Current year	$ 20,085	$ 19,599
Prior year	8,847	9,131
Prior 2 year	5,454	6,360
	34,386	35,090
Less: allowance for tax write-offs	(3,953)	(3,998)
Balance, after allowance for tax write-offs, end of year	$ 30,433	$ 31,092

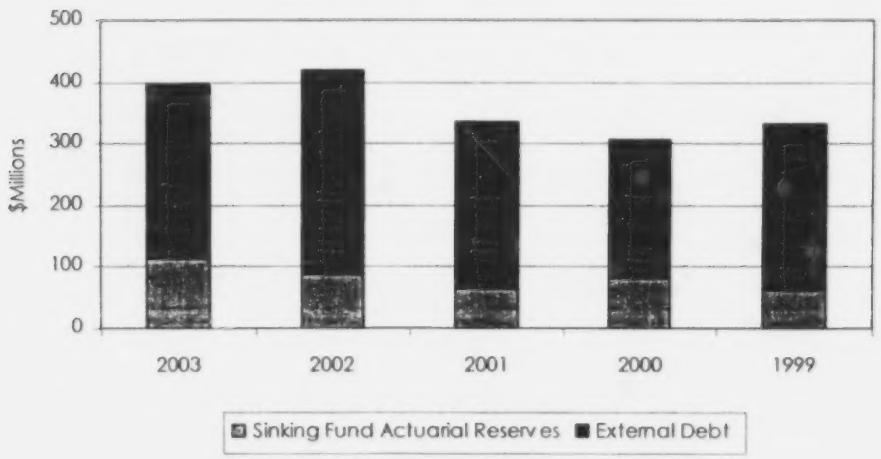
REVENUE FUND – OTHER FEES, RATES AND RECOVERIES ($000s)
Years Ended December 31

	Budget	2003	2002
Permits and licences			
Business	$10,350	$10,595	$9,909
Dog	505	542	500
False Alarm Reduction Programme	1,150	1,137	1,100
Other	887	848	885
	12,892	13,122	12,394
Municipal by-law fines	9,454	10,276	9,357
Service and inspection fees			
Development permits	4,690	4,716	3,929
Building permits	4,990	4,977	4,598
Plumbing inspection	3,390	3,567	3,241
Electrical inspection	2,610	2,362	2,498
Other	5,922	5,940	5,423
	21,602	21,562	19,689
On street parking	19,490	20,254	18,040
Sundry fees and services			
Recovery - Greater Vancouver Transit Authority	2,754	2,758	2,429
Provincial school tax administration fee	310	314	308
Utility company access	741	433	515
Other	1,640	1,703	2,692
	5,445	5,208	5,944
Departmental revenues			
Parks and recreation - general operations	31,160	32,010	31,646
Britannia Community Services	695	662	691
Libraries	4,015	4,376	4,941
Civic theatres	5,592	6,393	5,653
General government	2,248	4,563	7,478
Fire	5,908	7,127	6,109
Police	10,163	12,485	11,861
Engineering	3,005	5,125	4,388
Community services	6,954	12,114	8,823
	69,740	84,855	81,590
TOTAL	$138,623	$155,277	$147,014

FIVE YEAR STATISTICAL REVIEW – DEBT AND OTHER
Years Ended December 31

	2003	2002	2001	2000	1999
Population (000s)*	577,800	577,800	571,700	565,500	558,100
Long Term Debt ($000s)					
Debenture debt outstanding	477,509	546,072	510,898	496,140	527,721
Less: Internally held debt	(81,373)	(126,846)	(176,965)	(188,882)	(196,487)
Externally held debt	396,136	419,226	333,933	307,258	331,234
Sinking Fund actuarial reserves	112,748	87,116	62,680	80,772	60,931
Net externally held debt	283,388	332,110	271,253	226,486	270,303
Debt per capita ($ externally held)	685.59	725.56	584.11	543.34	593.50

Long Term Debt - External



($000s)					
Capital expenditures	147,042	149,374	110,908	137,024	160,036
Internally restricted reserves	205,281	196,655	182,062	160,225	145,061

CHANGES IN DEBENTURE DEBT OUTSTANDING ($000s)
Year Ended December 31, 2003

	Externally Held	Internally Held	Total
Balance, beginning of year	$ 419,226	$ 126,846	$ 546,072
Add: Debentures issued during 2003			
Local improvements	-	2,145	2,145
	419,226	128,991	548,217
Less: Maturities			
General and water	23,090	45,000	68,090
Local improvements	-	2,618	2,618
	23,090	47,618	70,708
Balance, end of year	$ 396,136	$ 81,373	$ 477,509

SCHEDULE OF DEBT ($000s)
Year Ended December 31, 2003

GENERAL DEBT

Bylaw		Maturity Date & Purpose	Rate	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
7262	(2)	February 16, 2004	6.625 to 6.875	10		
		Communications			86	-
		Libraries			1,777	-
		Parks			764	-
		Roads, walks streets and lanes			1,012	-
		Sewers			1,508	-
		Street lighting			32	-
		Waterworks			1,788	-
		Yards			33	-
					7,000	-
7506	(4)	January 11, 2006	7.500	10		
		Communications			1,200	814
		Emergency operations			4,834	3,281
		Parks			5,090	3,455
		Roads, walks streets and lanes			39,260	26,647
		Sewers			20,267	13,756
		Waterworks			29,349	19,920
					100,000	67,873
7811	(4)	October 31, 2007	5.500 to 5.750	10		
		Communications			863	-
		Emergency operations			125	-
		Fire protection			4,091	-
		Infrastructure			1,158	-
		Parks			8,640	-
		Pedestrian/cycling facilities			4,441	-
		Sewers			9,593	-
		Street lighting			1,170	-
		Waterworks			6,941	-
					37,022	-
8042	(1)	July 12, 2009	5.900	10		
		Parks			5,000	1,754
		Roads, walks streets and lanes			15,000	5,261
		Sewers			20,000	7,015
		Waterworks			20,000	7,015
					60,000	21,045
8077	(4)	October 7, 2009	6.000	10		
		Roads, walks streets and lanes			46,533	16,131
		Sewers			11,417	3,958
		Waterworks			22,050	7,644
					80,000	27,733
				Carried Forward	$284,022	$116,651

SCHEDULE OF DEBT ($000s)
Year Ended December 31, 2003

GENERAL DEBT

Bylaw		Maturity Date & Purpose	Rate	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
				Carried Forward	$284,022	$116,651
8269	(1)	December 14, 2010	6.000	10		
		Roads, walks streets and lanes			1,038	261
8295	(4)	February 21, 2011	5.850	10		
		Infrastructure			2,238	380
		Parks			13,858	2,355
		Pedestrian/cylcling facilities			1,678	285
		Public works/fire facilities			10,600	1,802
		Roads, walks streets and lanes			2,382	405
		Sewers			17,015	2,892
		Street lighting/communication/undergrounding			857	146
		Street lighting/communications			4,476	761
		Street lighting			2,384	405
		Transit /safety improvements			6,162	1,047
		Waterworks			18,350	3,119
					80,000	13,597
8460	(5)	April 17, 2012	3.500	10		
		Local area improvement			5,473	-
		Parks			6,441	-
		Pedestrian/cylcling facilities			3,682	-
		Public works/fire facilities			6,672	-
		Sewers			27,606	-
		Street lighting			5,981	-
		Street/bridge infrastructure			1,015	-
		Transit /safety improvements			7,546	-
		Waterworks			27,606	-
					92,022	-
Installment Debentures Issued to the Government of Canada or Agency						
4214	(3)	December 15, 2005	5.375	40		
		Waterworks			74	-
4221	(3)	Feburary 1, 2006	5.250	40		
		Waterworks			3	-
4236	(3)	May 1, 2006	5.375			
		Waterworks			17	-
			Total		$457,176	$130,509

* Held Internally

Payable at (1) City Treasurer's Office, Vancouver (2) Bank of Montral , any branch in Canada
(3) Government of Canada, Ottawa (4) Canadian Depository for Securities Ltd. Toronto
(5) Royal Bank of Canada (London, Suisse); Barclays Bank PLC; The Industrial Bank of Japan (Luxembourg) S.A.; Internationale Nederlanden Bank (Belgium) S.A.; Bank of Montreal (Vancouver).

SCHEDULE OF DEBT ($000s)
Year Ended December 31, 2003

LOCAL IMPROVEMENT - Property Owners' Share

Bylaw	Maturity Date	Purpose	Rate	Term (Yr)	Debt Balance
6500	June 21 2004	Lane paving, speed ramps, sidewalks & curbs	10.500	15	233
6501	June 21 2004	Beautification	10.500	15	22
6680	June 20 2005	Beautification	10.500	15	11
6681	June 20 2005	Lane paving, speed ramps, sidewalks & curbs	10.500	15	613
6848	June 19 2006	Lane paving, speed ramps, sidewalks & curbs	10.000	15	956
6849	June 19 2006	Beautification	10.000	15	97
6990	June 17 2007	Lane paving, speed ramps, sidewalks & curbs	9.500	15	997
6991	June 17 2007	Beautification	9.500	15	126
7129	June 23 2008	Lane paving, speed ramps, sidewalks & curbs	9.000	15	1,401
7312	June 22 2009	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,186
7313	June 22 2009	Beautification	7.000	15	306
7315	June 22 2009	Underground wiring	7.000	15	27
7316	June 22 2004	Street lighting	7.000	10	3
7446	June 21 2010	Lane paving, speed ramps, sidewalks & curbs	9.500	15	1,173
7447	June 21 2010	Underground wiring	9.500	15	57
7584	June 26 2011	Lane paving, speed ramps, sidewalks & curbs	7.500	15	1,435
7758	June 25 2012	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,620
7759	June 25 2012	Beautification	7.000	15	119
7912	June 24 2013	Beautification	6.000	15	165
7914	June 24 2008	Street lighting	6.000	10	5
7915	June 24 2013	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,743
8037	June 23 2014	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,864
8038	June 23 2014	Lane lighting	6.000	15	10
8204	June 21 2015	Lane paving, speed ramps, sidewalks & curbs	7.000	15	1,375
8205	June 21 2015	Lane lighting	7.000	15	10
8206	June 21 2010	Street lighting	7.000	10	19
8207	June 21 2015	Beautification	7.000	15	102
8208	June 21 2010	Granville Street beautification	7.000	10	134
8209	June 21 2015	Beautification	7.000	15	22
8501	June 26 2017	Lane paving, speed ramps, sidewalks & curbs	6.000	15	1,890
8502	June 26 2007	Lane lighting	6.000	5	40
8503	June 26 2012	Street lighting	6.000	10	9
8504	June 26 2017	Beautification	6.000	15	215
8505	June 26 2007	Traffic circle	6.000	5	8
8506	June 25 2017	Underground wiring	6.000	15	198
8693	June 27 2018	Lane paving, speed ramps, sidewalks & curbs	6.000	15	2,074
8694	June 25 2018	Lane lighting	6.000	15	10
9696	June 25 2018	Beautification	6.000	15	58
					$20,333

Held Internally

DEBT INTEREST RATES ($000s)
Year Ended December 31, 2003

Interest Rate	General (including Waterworks)	Local Improvement	Total
10.500	$ -	$ 879	$ 879
10.000	-	1,053	1,053
9.500	-	2,354	2,354
9.000	-	1,399	1,399
7.500	100,000	1,437	101,437
7.000	-	4,919	4,919
6.875	7,000	-	7,000
6.125	24,610	-	24,610
6.000	92,302	8,292	100,594
5.900	60,000	-	60,000
5.875	10,638	-	10,638
5.850	80,000	-	80,000
5.750	29,583	-	29,583
5.625	8,984	-	8,984
5.500	18,051	-	18,051
5.375	90	-	90
5.250	9,053	-	9,053
4.875	8,618	-	8,618
4.375	8,247	-	8,247
3.500	-	-	-
	$457,176	$20,333	$477,509

Average rate of interest on total debt to maturity - 5.978%

FUTURE PRINCIPAL AND INTEREST PAYMENTS ON DEBT ($000s)
Year Ended December 31, 2003

Total Debt (Internal and External)

	General			Waterworks			Local Improvements Property Owners' Share			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	$17,185	$20,001	$37,186	$6,619	$7,910	$14,529	$2,581	$1,497	$4,078	$26,385	$29,408	$55,793
2005	12,574	19,207	31,781	5,072	7,602	12,674	2,504	1,278	3,782	20,150	28,087	48,237
2006	83,895	18,526	102,421	34,650	7,328	41,978	2,345	1,070	3,415	120,890	26,924	147,814
2007	13,981	12,480	26,461	5,589	4,828	10,417	2,110	881	2,991	21,680	18,189	39,869
2008	7,042	11,674	18,716	3,018	4,506	7,524	1,906	720	2,626	11,966	16,900	28,866
2009-2013	193,196	19,088	212,284	74,354	6,947	81,301	6,567	1,879	8,446	274,117	27,914	302,031
Thereafter	-	-	-	-	-	-	2,321	350	2,671	2,321	350	2,671
	$ 327,873	$ 100,976	$ 428,849	$ 129,302	$ 39,121	$ 168,423	$ 20,334	$ 7,675	$ 28,009	$ 477,509	$ 147,772	$ 625,281

External Debt Only

	General			Waterworks			Total General & Waterworks		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	$ 17,185	$ 17,579	$ 34,764	$ 6,619	$ 6,730	$ 13,349	$ 23,804	$ 24,309	$ 48,113
2005	12,574	16,785	29,359	5,072	6,422	11,494	17,646	23,207	40,853
2006	83,895	16,103	99,998	34,650	6,148	40,798	118,545	22,251	140,796
2007	13,981	10,058	24,039	5,589	3,648	9,237	19,570	13,706	33,276
2008	7,042	9,252	16,294	3,018	3,326	6,344	10,060	12,578	22,638
2009-2013	152,158	16,603	168,761	54,353	5,768	60,121	206,511	22,371	228,882
Thereafter	-	-	-	-	-	-	-	-	-
	$ 286,835	$ 86,380	$ 373,215	$ 109,301	$ 32,042	$ 141,343	$ 396,136	$ 118,422	$ 514,558

OUTSTANDING BORROWING AUTHORITY
Year Ended December 31, 2003

General borrowing is approved by the electors. Sewer and Water borrowing is approved by Council.

	Amount Authorized	Debentures Issued to Dec 31, 2003	Balance
General (excluding Sewer and Water)			
1991 - 1993	$ 80,400	$ 80,400	$ -
1994 - 1996	84,700	84,474	226
1997 - 1999	83,383	83,383	-
2000 - 2002	85,955	76,050	9,905
2003 - 2005	96,790	-	96,790
	$ 431,228	$ 324,307	$ 106,921
Sewer and Water			
1991 - 1993	$ 83,890	$ 83,890	$ -
1994 1996	98,970	98,970	-
1997 - 1999	111,117	111,117	-
2000 - 2002	109,995	95,365	14,630
2003 - 2005	104,750	-	104,750
	$ 508,722	$ 389,342	$ 119,380
Total General, Water and Sewer			
1991 - 1993	$ 164,290	$ 164,290	$ -
1994 - 1996	183,670	183,444	226
1997 - 1999	194,500	194,500	-
2000 - 2002	195,950	171,415	24,535
2003 - 2005	201,540	-	201,540
	$ 939,950	$ 713,649	$ 226,301

* Includes $6.55 million of unallocated borrowing authority for Waterworks.

GENERAL STATISTICS
Year Ended December 31, 2003

Land Area (hectares)	11,396	
Public Schools		
Schools and annexes	108	
Pupils	58,881	
Teachers (F.T.E.)	3,296	
Waterworks		
Annual consumption (cubic metres)	133.0	
Number of services - metered	13,777	
- flat rate	80,871	
Total number of services	94,648	
Kilometres of water main	1,460	
Parks and Recreation Facilities		
Public Parks	200	(1,297.9 hectares)
Beaches	11	
Swimming Pools	15	
Golf Courses	6	
Recreation Facilities	35	
Tennis Courts	183	
Miscellaneous Recreational Facilities	13	

	2003	2002	2001	2000	1999
Value of Building Permits ($000s)	1,062,780	1,300,141	1,119,043	823,322	803,144
Roads and Sewers (kilometres)					
Permanent street pavements	1,223	1,219	1,215	1,213	1,209
Permanent lane pavements	592	588	582	574	571
Temporary asphaltic surfaces	170	174	178	173	177
Cement concrete sidewalks	2,058	2,057	2,055	2,050	2,048
Gravelled lanes	105	109	115	123	126
Sewers	1,974	1,962	1,951	1,942	1,932

CITY OF VANCOUVER

453 West 12th Avenue
Vancouver, BC V5Y 1V4
www.city.vancouver.bc.ca